

The Nasdaq Stock Market, Inc.
Condensed Consolidated Statements of Operations
(in millions, except per share amounts)

	<u>Three Months Ended</u>			<u>Year Ended</u>	
	<u>December 31,</u>	<u>September 30,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues					
Transaction Services	\$ 53.6	\$ 54.3	\$ 78.8	\$ 236.0	\$ 380.6
Market Information Services	32.5	35.4	48.9	147.1	199.6
Corporate Client Group	42.8	41.0	43.8	167.3	173.3
Financial Products	7.6	8.4	7.3	32.9	28.1
Other	1.5	2.8	1.5	6.5	5.6
Total revenues	<u>138.0</u>	<u>141.9</u>	<u>180.3</u>	<u>589.8</u>	<u>787.2</u>
Expenses					
Compensation and benefits	30.0	36.7	47.6	159.1	183.1
Marketing and advertising	5.7	3.6	12.9	19.5	26.9
Depreciation and amortization	20.9	21.2	19.7	90.0	88.5
Professional and contract services	8.9	7.1	18.7	37.5	60.5
Computer operations and data communications	32.2	32.6	31.3	125.6	136.7
Provision for bad debts	(0.2)	-	(0.6)	1.4	8.4
Travel, meetings and training	1.9	1.9	3.9	8.5	12.4
Occupancy	8.1	7.6	9.3	31.2	32.4
Publications, supplies and postage	1.7	1.5	3.0	6.9	10.8
Other	-	3.3	7.3	13.0	25.5
Total direct expenses	<u>109.2</u>	<u>115.5</u>	<u>153.1</u>	<u>492.7</u>	<u>585.2</u>
Elimination of non-core product lines, initiatives and severance	28.4	23.8	-	97.9	-
Nasdaq Japan impairment loss	-	-	-	(5.0)	15.2
Support costs from related parties, net	13.1	15.4	18.5	61.5	75.0
Total expenses	<u>150.7</u>	<u>154.7</u>	<u>171.6</u>	<u>647.1</u>	<u>675.4</u>
Operating (loss) income	(12.7)	(12.8)	8.7	(57.3)	111.8
Interest income	1.7	2.5	2.9	9.5	12.6
Interest expense	(2.9)	(5.2)	(5.1)	(18.6)	(18.5)
Operating (loss) income from continuing operations before income taxes	<u>(13.9)</u>	<u>(15.5)</u>	<u>6.5</u>	<u>(66.4)</u>	<u>105.9</u>
Benefit (provision) for income taxes	3.1	7.8	(0.3)	21.2	(40.9)
Net (loss) income from continuing operations	<u>(10.8)</u>	<u>(7.7)</u>	<u>6.2</u>	<u>(45.2)</u>	<u>65.0</u>
Discontinued operations:					
Loss from discontinued operations, net of tax	(10.2)	(30.9)	(5.9)	(60.9)	(21.9)
Gain on disposition of discontinued operations	-	0.6	-	0.6	-
Loss from discontinued operations	<u>(10.2)</u>	<u>(30.3)</u>	<u>(5.9)</u>	<u>(60.3)</u>	<u>(21.9)</u>
Net (loss) income	<u>\$ (21.0)</u>	<u>\$ (38.0)</u>	<u>\$ 0.3</u>	<u>\$ (105.5)</u>	<u>\$ 43.1</u>
Net (loss) income applicable to common stockholders:					
Net (loss) income	\$ (21.0)	\$ (38.0)	\$ 0.3	\$ (105.5)	\$ 43.1
Preferred stock:					
Dividends declared	(2.5)	(2.5)	-	(8.3)	-
Accretion of preferred stock	-	-	(2.4)	-	(9.7)
Net (loss) income applicable to common stockholders	<u>\$ (23.5)</u>	<u>\$ (40.5)</u>	<u>\$ (2.1)</u>	<u>\$ (113.8)</u>	<u>\$ 33.4</u>
Basic and diluted net (loss) earnings per share:					
Continuing operations	\$ (0.17)	\$ (0.13)	\$ 0.05	\$ (0.68)	\$ 0.66
Discontinued operations	(0.13)	(0.39)	(0.08)	(0.77)	(0.26)
Total	<u>\$ (0.30)</u>	<u>\$ (0.52)</u>	<u>\$ (0.03)</u>	<u>\$ (1.45)</u>	<u>\$ 0.40</u>

**The Nasdaq Stock Market, Inc.
Key Drivers**

	Three Months Ended			Year Ended	
	December 31,	September 30,	December 31,	December 31,	December 31,
	2003	2003	2002	2003	2002
Revenue Details (in millions)					
Transaction Services					
Access Services	\$ 25.0	\$ 26.1	\$ 31.5	\$ 108.0	\$ 140.9
Execution Services, net	18.7	19.1	31.3	78.0	157.4
Trade Reporting	9.2	8.4	17.0	47.3	78.5
Other Transaction Services revenues	0.7	0.7	(1.0)	2.7	3.8
Total Transaction Services revenues	53.6	54.3	78.8	236.0	380.6
Market Information Services					
Level 1 Service	31.5	31.2	33.6	123.6	139.5
Nasdaq Quotation Dissemination Service ("NQDS")	9.4	9.5	8.8	37.9	37.5
ViewSuite	1.9	3.1	-	9.1	-
Nasdaq InterMarket, net	3.5	3.5	8.8	14.3	38.6
Unlisted Trading Privileges ("UTP")	(17.6)	(15.2)	(5.2)	(50.8)	(18.3)
Nasdaq Data Tape Fee revenue sharing	-	-	-	-	(9.0)
Other Market Information Services revenues	3.8	3.3	2.9	13.0	11.3
Total Market Information Services revenues	32.5	35.4	48.9	147.1	199.6
Corporate Client Group					
Annual renewal fees	23.9	23.4	24.6	93.6	99.4
Listing additional shares ("LAS") fees	9.2	9.2	9.3	37.1	37.5
Initial listing fees	8.0	8.0	8.4	32.3	33.6
Other Corporate Client Group revenues	1.7	0.4	1.5	4.3	2.8
Total Corporate Client Group revenues	42.8	41.0	43.8	167.3	173.3
Financial Products revenues	7.6	8.4	7.3	32.9	28.1
Other	1.5	2.8	1.5	6.5	5.6
Total revenues	\$ 138.0	\$ 141.9	\$ 180.3	\$ 589.8	\$ 787.2
Other Drivers					
Average daily shares traded (in billions)	1.8	1.7	1.6	1.7	1.8
Percentage of trades printed at Nasdaq	42.2%	47.5%	83.0%	54.7%	83.5%
Percentage of shares printed at Nasdaq	56.7%	62.0%	86.7%	67.0%	89.3%
Initial Public Offerings	38	14	16	57	51
Number of Companies Listed	3,333	3,367	3,659	3,333	3,659

The Nasdaq Stock Market, Inc.
Condensed Consolidated Balance Sheets
(in millions)

	December 31,	
	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 148.9	\$ 201.5
Investments:		
Available-for-sale, at fair value	185.7	222.1
Held-to-maturity, at amortized cost	23.8	18.7
Receivables, net	111.4	157.5
Receivables from related parties	7.7	11.3
Deferred tax asset	40.5	53.0
Current assets of discontinued operations	-	14.6
Other current assets	11.6	18.3
Total current assets	529.6	697.0
Investments:		
Held-to-maturity, at amortized cost	4.5	9.7
Property and equipment:		
Land, buildings and improvements	96.6	94.5
Data processing equipment and software	346.9	400.6
Furniture, equipment and leasehold improvements	168.5	191.7
	612.0	686.8
Less accumulated depreciation and amortization	(369.0)	(358.1)
Total property and equipment, net	243.0	328.7
Non-current deferred tax asset	72.1	70.0
Goodwill	-	4.1
Other intangible assets	0.9	6.1
Non-current assets of discontinued operations	-	46.8
Other assets	1.2	13.5
Total assets	\$ 851.3	\$ 1,175.9
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 30.0	\$ 61.6
Accrued personnel costs	48.8	46.6
Deferred revenue	59.8	64.6
Other accrued liabilities	76.0	40.0
Current obligation under capital lease	1.6	3.5
Current liabilities of discontinued operations	-	31.6
Payables to related parties	21.6	27.3
Total current liabilities	237.8	275.2
Long-term debt:		
Senior notes	25.0	175.0
Subordinated notes	240.0	240.0
Non-current obligation under capital lease	-	5.9
Accrued pension costs	26.8	23.6
Non-current deferred tax liability	40.9	49.2
Non-current deferred revenue	84.7	102.1
Non-current liabilities of discontinued operations	-	16.5
Other liabilities	35.5	24.0
Total long-term liabilities	452.9	636.3
Total liabilities	690.7	911.5
Minority interests of discontinued operations	-	(6.5)
Stockholders' equity		
Common stock	1.3	1.3
Preferred stock, Series A and B	133.8	133.8
Additional paid-in capital	358.9	358.2
Common stock in treasury, at cost	(667.8)	(669.4)
Accumulated other comprehensive income	0.1	(2.3)
Deferred stock compensation	(1.1)	(1.9)
Common stock issuable	2.9	4.9
Retained earnings	332.5	446.3
Total stockholders' equity	160.6	270.9
Total liabilities, minority interests and stockholders' equity	\$ 851.3	\$ 1,175.9

The Nasdaq Stock Market, Inc.
Reconciliation of GAAP Earnings
(in millions, except per share amounts)

	Three Months Ended			Year Ended	
	December 31, 2003	September 30, 2003	December 31, 2002	December 31, 2003	December 31, 2002
GAAP Total Expenses from Continuing Operations:	\$ 150.7	\$ 154.7	\$ 171.6	\$ 647.1	\$ 675.4
Adjustment:					
Strategic Review	(28.4)	(23.8)	-	(97.9)	-
Nasdaq Japan Impairment Loss	-	-	-	5.0	(15.2)
Non-GAAP Total Expenses from Continuing Operations	<u>\$ 122.3</u>	<u>\$ 130.9</u>	<u>\$ 171.6</u>	<u>\$ 554.2</u>	<u>\$ 660.2</u>
GAAP Net (Loss) Income from Continuing Operations:	\$ (10.8)	\$ (7.7)	\$ 6.2	\$ (45.2)	\$ 65.0
Adjustment:					
Strategic Review Charge	(16.7)	(13.2)	-	(64.2)	-
Non-GAAP Net Income from Continuing Operations	<u>\$ 5.9</u>	<u>\$ 5.5</u>	<u>\$ 6.2</u>	<u>\$ 19.0</u>	<u>\$ 65.0</u>
GAAP Net (Loss) Income from Continuing Operations Applicable to Common Stockholders:	\$ (13.3)	\$ (10.2)	\$ 3.8	\$ (53.5)	\$ 55.3
Adjustment:					
Strategic Review Charge	(16.7)	(13.2)	-	(64.2)	-
Non-GAAP Net Income from Continuing Operations Applicable to Common Stockholders	<u>\$ 3.4</u>	<u>\$ 3.0</u>	<u>\$ 3.8</u>	<u>\$ 10.7</u>	<u>\$ 55.3</u>
GAAP (Loss) Earnings per Common Share from Continuing Operations:					
Basic and Diluted (Loss) Earnings Per Share	\$ (0.17)	\$ (0.13)	\$ 0.05	\$ (0.68)	\$ 0.66
Adjustment:					
Strategic Review	(0.21)	(0.17)	-	(0.82)	-
Non-GAAP Basic and Diluted Earnings per Common Share from Continuing Operations	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.05</u>	<u>\$ 0.14</u>	<u>\$ 0.66</u>